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June 3, 2011

The Honorable Ben S. Bernanke
Chairman
Board of Governors of the
Federal Reserve System
21st Street and Constitution Avenue, NW
Washington, DC 20551

Dear Chairman Bernanke:

On behalf of the Minnesota Credit Union Network (MnCUN), I am writing to reiterate our concerns on the Federal Reserve Board's (Fed's) proposal to regulate debit card interchange fees. The Minnesota Credit Union Network represents 150 credit unions in Minnesota and supports the needs and interests of credit unions throughout the state. I am writing to stress credit unions' concerns regarding the current version of the Fed's proposed new Regulation II, Debit Card Interchange Fees and Routing final rule.

Credit unions need assurance that the small issuer exemption will be enforced by the Fed. Although the proposed regulation describes a two-tiered structure that would exempt financial institutions with less than \$10 billion in assets from the cap, in reality all debit card issuers will likely be subject to the cap no matter their asset size. The two-tiered structure provides no enforcement authority and no requirement that ensures the existence of a two-tiered network structure. Without enforcement authority, retailers will eventually favor conducting business with debit card issuers required to operate within the lower debit card interchange cap. Consequently, I urge the Fed to include a mechanism to enforce the two-tiered system for small issuers.

MnCUN is also troubled by the 12 cent cap for fees and the costs that were considered when determining that amount. On behalf of our member credit unions, I am very concerned that all costs were not incorporated into the proposed regulation, specifically the costs of fraud prevention and data security. Fraud is a significant expense for credit unions that offer debit cards and is a major component of the cost of offering a debit card program to members. Therefore, the true cost of debit card issuance is not reflected in the proposed regulation.

In addition, small issuers must be protected from the routing and exclusivity provisions. Under the proposed rule, there is a significant threat that the routing and exclusivity provisions will undermine the exemption for small issuers. MnCUN is concerned about the further burden that the proposed debit

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interchange routing will place on credit unions' bottom line. Since the law prohibits credit unions from raising capital, the only way they can build capital is through retained earnings. Ultimately, credit unions will be forced to pass their debit card expenses onto members to cover the additional cost of having extra networks in place. There are a variety of factors that need to be worked out before these provisions can be implemented. MnCUN believes that the Fed has the authority to delay the compliance date for the exclusivity and routing provisions for 24 months and encourages the Fed to do so.

Debit interchange fee income is one of the most important issues facing credit unions in Minnesota today. I urge the Federal Reserve Board to work to protect small issuers from the impact of the rule, which is the intent Congress had behind the original law. Thank you for your consideration of MnCUN's comments.

Sincerely,

A handwritten signature in black ink, reading "Mark D. Cummins". The signature is fluid and cursive, with the first name "Mark" being the most prominent.

Mark D. Cummins
President & CEO

cc: Bill Cheney, CUNA National Association